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C O N F I D E N T I A L SECTION 01 OF 02 KUALA LUMPUR 000434

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TAGS: [PREL](#) [PARM](#) [ECON](#) [ETRD](#) [ETTC](#) [IR](#) [MY](#)
SUBJECT: AMBASSADOR'S CALL ON DEPUTY PRIME MINISTER
MUHYIDDIN

REF: KL 422 - CALL ON MITI MINISTER MUSTAPA

Classified By: AMBASSADOR JAMES R. KEITH, REASON 1.4 (B AND D).

Summary and Comment

1. (C) Malaysia's new Deputy Prime Minister Muhyiddin Yassin, during the Ambassador's June 1 introductory call, endorsed enhanced economic ties with the U.S. and offered an opening to discuss government procurement in our pending bilateral Free Trade Agreement (FTA) talks. The Ambassador urged the Malaysian Government also to include financial sector liberalization. The DPM noted Malaysia's decline in exports as a result of the global financial crisis, stating that his country's economic recovery will take two to three years. The Ambassador emphasized the importance of adherence to Iran sanctions and Malaysia's finalization of an export control law, with the DPM noting that the GOM warns Malaysian firms to abide by UNSC resolutions related to Iran. The Ambassador highlighted the 2010 Nuclear Nonproliferation Treaty Review Conference and the Climate Change Conference in Copenhagen as particularly important world events in which Malaysia could help bridge Nonaligned Movement and Western perspectives.

2. (C) Comment: In this initial meeting with the Ambassador, DPM Muhyiddin continued the positive theme, set out by Prime Minister Najib, of encouraging ways to strengthen bilateral relations and stepping up senior official contacts. Well-polished and sophisticated, Muhyiddin is a very credible senior interlocutor, particularly on economic issues, given his strong background as Trade Minister. He did not allude at all to his portfolio as Education Minister, which many commentators viewed as not important enough for the DPM and a reflection of Najib's unwillingness to give his second-in-command too much power. His comments on the FTA are consistent with Malaysia's attempts to signal increased flexibility and interest in continuing the negotiations, but fell short of confirming a comprehensive cabinet mandate to negotiate across the full template of issues. End Summary and Comment.

DPM Offers Improved Mandate for FTA Talks

3. (C) The Ambassador paid an introductory call on Malaysia's new Deputy Prime Minister and Education Minister Muhyiddin Yassin on June 1 in the DPM's Putrajaya office. Foreign Ministry Principle Assistant Secretary (Americas) Muhammad Radzi Jamaludin and the DPM's Special Officer Ahmad Faizal Abdul Rahman attended the meeting, in addition to

Polcouns. The DPM launched the discussion by recalling his previous involvement in U.S.-Malaysia FTA talks in his earlier role as International Trade and Industry Minister. Muhyiddin acknowledged that Malaysia still awaited U.S. indications on continuing the FTA negotiations, and expressed his hope for renewed talks. In the meantime, the GOM had given its negotiators "some slightly improved mandate" on the issue of government procurement. This expanded mandate "will allow discussion" of government procurement so that the two sides may "see how the issues can be managed." The Ambassador welcomed Malaysia's willingness to discuss government procurement, noting that he addressed this May 29 with International Trade and Industry Minister Mustapa (reftel). The Ambassador urged Malaysia to provide its negotiators with comprehensive mandate, which would include financial sector liberalization. Muhyiddin responded, "we'll see what else we can do," and made an undefined reference to Islamic finance. (Note: Embassy is following up with appropriate MITI officials regarding this apparent GOM policy shift on government procurement.)

Malaysia's Exports Continue to Suffer

14. (C) The Deputy Prime Minister offered that Malaysia's current trade figures were "not encouraging." Malaysian exports had dropped substantially due to the global economic downturn. Most recent export figures showed a 27 percent decline time frame not specified). Malaysia was watching closely the economic indicators of its key trading partners and working on implementation of Malaysia's own domestic

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stimulus packages. The DPM estimated Malaysia's economic recovery would require two to three years, longer than originally anticipated. The Ambassador responded to Muhyiddin's questions on U.S. stimulus spending, including whether U.S. banks received stimulus funds.

DPM Notes "Special Relationship," Promotes Cabinet-Level Visits

15. (C) Muhyiddin described the U.S. and Malaysia as enjoying a "special relationship," particularly in the area of trade and investment. The private sector relationships represented a "strong bond" between our two nations. He expressed hope that all economic portfolio ministries would work on opportunities to expand U.S. ties. He noted the May 14 meeting between Secretary Clinton and Foreign Minister Anifah as a good sign of friendship, and asked if the Secretary had decided to visit Malaysia. The Ambassador encouraged Muhyiddin and other ministers to travel to the U.S. He noted continued opportunities for U.S. investment in Malaysia's oil and gas sector. The Ambassador noted the Secretary's commitment to visit the region in July for the ASEAN meetings, but indicated that no decisions had been made about additional bilateral steps.

Ambassador Stresses Iran Sanctions, Export Controls

16. (C) The Ambassador raised the continued importance of international adherence to UNSC resolutions related to Iran's nuclear program. Muhyiddin replied that his government reminds Malaysian companies that they must comply with UN resolutions. The Ambassador highlighted the Nuclear Nonproliferation Treaty (NPT) Review Conference in 2010 along with the Climate Change Conference in Copenhagen as particularly important world events in which Malaysia could help bridge Nonaligned Movement and Western perspectives. Malaysia's positions would become even more important as it considered the development of nuclear energy for power generation. The Ambassador urged close bilateral dialogue on nonproliferation matters, offered U.S. assistance in

Malaysia's development of an export control regime, and asked about the status of draft export control legislation. The Ambassador also expressed appreciation for Prime Minister Najib's strong statements regarding North Korea's latest nuclear test and his helpful remarks of concern regarding the Burmese regime's continued detention and prosecution of Aung San Suu Kyi.

¶17. (C) The DPM said that Malaysia had no firm policy yet on nuclear energy development and would consider other energy options as well. Muhyiddin asked MFA officer Radzi regarding the status of the export control legislation, and Radzi responded the drafting was in the "final stage."

Piracy, Defense Talks

¶18. (C) The Ambassador and the DPM also touched on Malaysia's anti-piracy efforts in the Strait of Malacca and off the Somali coast, and U.S. support for Malaysia in the anti-piracy Contact Group. The Ambassador noted the very positive discussions between Defense Minister Zahid Hamidi and the U.S. delegation at the just-completed Shangri-La Dialogue.
KEITH